



2012 Budget Review

CITY COUNCIL

MINUTES
Saturday, October 29, 2011
9:00 AM

COUNCIL MEMBERS PRESENT:

S. Marmarou, M. Goodman-Hinnershitz, F. Acosta, D. Sterner, V. Spencer, D. Reed, J. Waltman

OTHERS PRESENT:

L. Kelleher, C. Younger, C. Geffken, W. Heim, C. Zale, T. McMahon, D. Cituk, G. Mann, D. Kaplan, E. Solivan

Mr. Waltman called the Budget Review Meeting to order at 9:15 am. He asked PFM representatives to comment on the proposed and revised budget.

I. PFM Review

The Review and Analysis of the 2012 Budget and Comparison to the Act 47 Recovery Plan was distributed in hard copy and electronically. Mr. Kaplan stated that this document provides a comparison to the revised budget and the Recovery Plan.

Mr. Kaplan stated that the Scranton ruling on the Scranton Fire Contract may not impact on Reading as the Scranton contract did not comply with the Scranton Act 47 Recovery Plan and the Reading contract awarded by Act 111 arbitration does comply with the Reading Act 47 Recovery Plan. He noted that the newly awarded Bethlehem fire contract eliminates the minimum manning standard and institutes a pay freeze. He stated that the Bethlehem award establishes a new precedent.

Regarding the Agenda topic of Police Manning Levels, Mr. Kaplan stated that because the contract has not been successfully negotiated or completed the Act 111 arbitration process, it is difficult to budget for additional police officers as a starting salary has not been set. He noted that the Act 47 Recovery Plan tells the reader how many officers the City can afford and directs the need to identify additional revenue if more officers are desired.

Mr. Kaplan stated that the large increase in tax related revenue in 2011 was caused by the hefty increase in property taxes, although the Recovery Plan did not require a property tax increase

until 2014. He stressed the need for improved tax collection and delinquent collection. He also noted the need to continue to correct structural issues.

Mr. Mann provided a comparison of the revised 2012 budget against the Recovery Plan projections. He stated that when comparing the 2012 budget to the plan the Budget:

- Has higher revenues and expenditures than the Plan,
- Has less revenue from EIT (gap of \$1.4M), prior year property tax and real estate transfer tax than the Plan
- Has \$1.4M more in housing permit and inspections revenue than the Plan (\$680K)
- Has lower allocations for Police and Fire OT than the Plan
- Has more revenue from property taxes (\$18M) than the \$16M projected in the Plan
- Moves Community Policing into the CDBG Budget eliminating \$280K in GF Expenses
- Has more contributions from employees for health care, \$530K projected and \$2.3M budgeted

Payroll comparisons show:

	2010	2011
Police	\$9M	\$15M
Fire	\$8M	\$10M
O & E	\$14M	\$15M

Mr. Mann noted that separation costs caused the escalation of Police and Fire payroll. He stated that the City's expected MMO payment for 2011 is \$8.4M.

Mr. Mann stated that overall comparisons show:

	Plan	2012 Budget
Expenditures	\$70M	\$72M
Revenues	\$68M	\$71.5M

Mr. Waltman noted the need to obtain PFM's input relating to police manning and a Library contribution. He stated that the refinancing of the Gateway Building by Greater Berks is a one-time fix. He stressed the need for the City to build a cushion by retaining the current EIT rates for residents and commuters.

Mr. Kaplan stated that the general rule provided for Plans to be amended every three (3) to four (4) years. He stated that philosophically, the EIT increase and creation for commuters was a one-time, short-term fix. He noted the need to ease that pressure to show some sign of progress on both residents and commuters. He stated that the reduction in the rate would also create a sense of credibility. He noted the need for the Court to approve a modification or continuation of the current rate by December 15th.

Mr. Waltman agreed with the need to provide relief but suggested that relief should be provided in property taxes instead. He stressed that reducing the EIT too soon could have backlash if the need to increase it again occurs in the 2013 budget. He expressed the belief that keeping the current rates will provide the City time to build a cushion. He asked PFM to consider allowing the City a year to recover.

Mr. McMahon agreed that the current EIT rates should be retained. He added that trimming the rate for 2012 and increasing the rate in 2013 will be more painful than retaining the current rate for one more year.

Ms. Kelleher stated that with Act 32 becoming effective January 1st the employer will now be required to withhold the current rate of the municipality, rather than 1%. She stated that we have seen proof that not all residents file an EIT return to pay the additional money owed.

Mr. Marmarou stated that citizens he has spoken with also believe the current EIT rates should be retained for an additional year.

Mr. Spencer stated that the City will be starting the utility fees in 2012 (storm water and street). As residents view these fees as taxes, it would be better to back tax rates off after these fees are implemented. He also noted that other recovery measures in the Plan have not yet started such as the creation of various authorities to undertake some municipal services. He also expressed the belief in the need to retain the current EIT rates.

Mr. Geffken stated that the retention of the current rates would create a cushion of approximately \$2.6M. Mr. Waltman stated that this figure would replace the Greater Berks Gateway money for 2013 and provide the City with a firmer stance. He noted the aggregate EIT loss of \$6M in prior years and additional \$1.2M in 2011.

Mr. Kaplan expressed his belief in the housing strategy and the improved codes enforcement model which can improve the City housing stock. Mr. Mann noted that across the State cities are not growing; however Reading is growing in population and poverty. Mr. Solivan noted that improving housing is one of the drivers of sound economic development, as good housing supports business retention and business growth.

Mr. Acosta noted that the City says on one hand that it welcomes businesses but then applies various fees and taxes that are not business friendly. He expressed the belief that losing the current EIT rate in 2012 will create a larger gap in 2013.

Mr. Waltman stated that Council and the Administration will continue to work to find an additional \$500K-\$1M in expenditures before approving the budget.

Mr. Younger stated that there may not be sufficient time to amend the plan to retain the current EIT rates, go through the hearing process and meet the DCED December 15th requirement.

Mr. Kaplan agreed with the points made by Mr. Waltman. He also reminded everyone of the City's desire to spread the pain evenly by requiring large contributions from RAWA and the Parking Authority as a broader population make contributions in those systems. He also noted Council's desire to move out of Act 47 quickly.

Mr. Mann stated that the amendment of the plan will not require a public hearing. He stated that an amendment ordinance will need to be introduced and enacted, a resolution requesting retention of the current rate will need to be adopted, and the court will need to approve the request.

The group discussed desires vs. reality. The group agreed to move forward with the required steps to amend the plan and retain the current EIT rate; however, a contingency will be built as a fallback if the court does not approve use of the current EIT rate.

Mr. Acosta asked Mr. Mann why the property tax increase last year did not require a plan amendment but the EIT diversion would require an amendment. Mr. Mann stated that the ability to allow a commuter EIT rate is only enabled by Act 47 and the plan.

Mr. Acosta asked PFM if they agree with the application of a Library tax. He stated that Council is working to reduce property taxes by a few mils but moving .02 mils for a Library Tax. That milage would provide the Library approximately \$230K annually. Mr. Kaplan did not object to the application of a Library Tax, although he voiced his disappointment that the plan drafted by the Community Foundation for a regional Library did not move forward.

PFM left the meeting.

II. Follow-up Items

Budget Follow-up

- #6 Number of City issued cell phones and the list of employees who carry them (10-17)
– **A list of employees carrying City cell phones was displayed – 35 employees carry blackberries and 80 employees carry phones with air cards. Council discussed ending this practice. Council expressed the belief that employees should use their personal phones as the City phones are probably used for personal business. Issue to be assigned to a Council Committee for further review.**
- #9 CDBG Action Plan – increase Codes funding by \$575K and move Emergency Demo to Gen Fund (10-19) – **Mr. Geffken will need to learn if additional codes activities are eligible under HUD regulations. To be provided Monday**

- #11 Names and positions of all non-uniformed new hires and positions in 2010 and 2011. (10-19) - **Council noted the need to revisit a residency requirement for new employees. To be assigned to a Council Committee for further discussion.**
- #13 Review Police Longevity re the number of new officers (10-22) – **the Chief explained that longevity was reduced to reflect the outgoing employees and incoming unqualified employees – Reduced to \$200K from \$400K**
- #14 Review Police Special Services Temporary Wages, Maintenance Repair Equipment and Contracted Services (10-22) – **the Chief explained that the surveillance camera grant ends in 2012 and all costs will be picked up by the City.**

Other Follow-up

- #9 Renegotiate Maintenance Contracts, compare to maintenance agreements for last 3 years, compare original cost to current cost (10-17) **All maintenance contracts are negotiated with the vendor if it is sole source, i.e. Visionaire, or are the result of a competitive procurement, i.e. copiers. A list of maintenance agreements and vendors was reviewed.**

Mr. Cituk stated that his recommendations will reduce expenditures by \$500K. Ms. Kelleher noted that Mr. Cituk's reductions do not reflect current spending on important line items in various areas. She noted that the budget spreadsheet used in the Council office shows a different balance from that in USL.

The group discussed holding off on purchasing any new vehicles for a one year period. Mr. Geffken stated that to date \$835K in expenditure reductions have occurred.. Mr. Acosta noted the need to identify an additional \$250K in expenditure reductions.

IV. Other

Ms. Kelleher reviewed the Monday meeting schedule as follows:

- 5 pm CIP Public Hearing
- Special Meeting following the Public Hearing
- WWTP Update following the Special Meeting

Mr. Acosta suggested continuing on the budget work after the WWTP update. Mr. Geffken will review additional expenditure reductions at that time.

The meeting adjourned at approximately 12:15 pm.

Respectfully Submitted
Linda A. Kelleher, CMC, City Clerk

Budget Follow-up

1. Expenditures broken out by category (10-12) **Done – distributed at prior budget meeting**
2. Schedule Revenue Review Session (10-12)
3. Provide property owners with impact information (10-12) **Can be done via water bills in December or via an ad in the Eagle. Rate needs to be finalized first.**
4. Seek retention of the current EIT rates for residents and commuters, assigned to Mr. McMahon (10-15) **Contacted PFM to arrange meeting. PFM is busy in Harrisburg. They will contact next week.**
5. Use of Community Promotions and Travel Expense line items – Mayor and Council Budget (10-17)
6. Number of City issued cell phones and the list of employees who carry them (10-17) **In process, will provide at a future meeting.**
7. CSC Budget – reduce telephone expense by \$4,000 (10-17) **Agreed as put forth by Cindy Weidel.**
8. Review personnel additions to Fire Dept (10-19) **Complete**
9. CDBG Action Plan – increase Codes funding by \$575K and move Emergency Demo to Gen Fund (10-19)
10. Inquire about how the Library will handle the impact re the loss of the City's \$175K contribution. (10-19) **Complete**
11. Names and positions of all non-uniformed new hires and positions in 2010 and 2011. (10-19)
12. Amount of funding for Ricktown shade trees (10-19)
13. Review Police Longevity re the number of new officers (10-22)
14. Review Police Special Services Temporary Wages, Maintenance Repair Equipment and Contracted Services (10-22)
15. Review Police OT re reduction due to beginning of Affiant program beginning in 10 days (10-22) **Complete**
16. Library Tax of .02% (10-26)

OTHER FOLLOW-UP

1. Ask Berks Catholic to maintain Yarnell park (10-12) **To be assigned to Charlie Jones.**
2. Identify Youth groups and other organizations to adopt parks and playgrounds (10-12) **Chuck has contract for community groups to maintain parks. I will ask him to distribute to Council.**
3. End to end discussion on housing area (10-15) **Agreed but let's get some successes under our belt to prove that we can plan and that we can succeed. None of us want to repeat 2007**
4. Educational flyer on Building and Trades Permits (10-15) **Ad for One Stop was placed in the paper to educate the public.**
5. Increase the penalties for illegal conversions and unpermitted projects. (10-15)
6. Schedule meeting with PFM to correct the breaks in the Recovery Plan, assigned to Mr. Geffken (10-15) **See 4. Above.**

7. Compare Job description and Responsibilities of the Diversity Officer (10-17) **In process.**
8. Consolidation of offices into the Customer Service Center (10-17) **Review of consolidation plan from last year's budget. Cindy and I will explain when requested.**
9. Renegotiate Maintenance Contracts, compare to maintenance agreements for last 3 years, compare original cost to current cost (10-17) **All maintenance contracts are negotiated with the vendor if it is sole source, i.e. Visionaire, or are the result of a competitive procurement, i.e. copiers. We will compile the list of vendors paid under the Maintenance Agreement budget line.**
10. Schedule meeting with Attorney David MacMain re need to continue the Police Diversity Board and the Diversity Officer. Review financial benefits to tree harvesting program, assigned to the PW Committee (10-19)
11. Review issuance and use of City Cell Phones – consider amending policy (10-29)
12. Consider reinstatement of residency requirement for new hires and management employees. (10-29)